

press information

Embargoed until 0700

2 August 2010

Ultra Electronics Holdings plc ("Ultra" or "the Group")

Interim Results for the Six Months to 2 July 2010

FINANCIAL HIGHLIGHTS

	Six months to 2 July 2010	Six months to 30 June 2009	Change
Revenue	£350.9m	£325.5m	+8%
Headline operating profit ⁽¹⁾	£51.4m	£44.3m	+16%
Headline profit before tax ⁽²⁾	£47.6m	£40.2m	+18%
IFRS profit before tax	£35.7m	£62.9m	-43%
Headline earnings per share ⁽²⁾	50.0p	43.4p	+15%
Dividend per share	10.6p	9.6p	+10%

⁽¹⁾ before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions. IFRS profit from operations £41.0m (2009: £34.6m). See Note 4 for reconciliation.

⁽²⁾ before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts. Basic EPS 38.0p (2009: 67.7p). See Note 4 for reconciliation.

- Resilient performance reflecting the continuing success of Ultra's growth strategies to
 - increase the Group's portfolio of specialist capabilities
 - broaden Ultra's range of positions on long-term platforms and programmes
 - extend the Group's geographic footprint
- Continuing investment to drive future growth
 - new product and business development
 - acquisition of specialist businesses
- Headline operating margin increased to 15%
- Robust cash generation
- Strong balance sheet with headroom for further acquisitions
- Order book up 8% to £832m
 - firm order cover* for next twelve months at customary level of over 60%
 - good order intake since period end with a pipeline of further opportunities

Douglas Caster, Chief Executive, commented:

"The results for the period emphasise the success of Ultra's strategies to underpin sustainable, long-term growth. Ultra continues to invest in a portfolio of differentiated products and services which are positioned on a large number of international platforms and programmes in the defence, security, transport and energy markets. This broad range of positions has created a flywheel effect that drives its performance year after year and provides resilience against market fluctuations.

Ultra has focused on high growth sectors within its markets, specialising in electronics, which is attracting an increasing proportion of customer budgets, even in periods of market uncertainty. The Group has an extensive portfolio of offerings positioned on long-term new build and upgrade programmes. Ultra has a broad customer base and accesses a wide range of markets, with international sales now representing three quarters of Group revenue. These factors provide Ultra with a resilient business model that underpins future order intake and supports its progress in 2010 and beyond."

* see note on page 2

INTERIM MANAGEMENT REPORT

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess Ultra's strategies and the potential for those strategies to be fulfilled. It should not be relied upon by any other party or for any other purpose.

This IMR contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Ultra when viewed as a complete entity.

FINANCIAL RESULTS

	Six months ended 2 July 2010 £m	Six months ended 30 June 2009 £m	Growth
Order book			
- Aircraft & Vehicle Systems	204.8	213.3	-4.0%
- Information & Power Systems	208.5	204.7	+1.9%
- Tactical & Sonar Systems	418.8	349.4	+19.9%
Total order book	832.1	767.4	+8.4%
Revenue			
- Aircraft & Vehicle Systems	76.5	83.7	-8.6%
- Information & Power Systems	119.5	101.0	+18.3%
- Tactical & Sonar Systems	154.9	140.8	+10.0%
Total revenue	350.9	325.5	+7.8%
Organic revenue growth			+5.9%
Headline operating profit			
- Aircraft & Vehicle Systems	9.1	10.9	-16.5%
- Information & Power Systems	14.8	11.5	+28.7%
- Tactical & Sonar Systems	27.5	21.9	+25.6%
Total headline operating profit	51.4	44.3	+16.0%
Organic headline operating profit growth			+11.4%
Headline operating margin			
- Aircraft & Vehicle Systems	11.9%	13.0%	
- Information & Power Systems	12.4%	11.4%	
- Tactical & Sonar Systems	17.8%	15.6%	
Total headline operating margin	14.6%	13.6%	
Finance charges*	(3.8)	(4.1)	-7.3%
Headline profit before tax	47.6	40.2	+18.4%
Operating cash flow	40.3	33.3	
Cash conversion*	78%	75%	
Net debt* at period-end	17.4	68.1	
Bank interest cover	22.0x	16.7x	
Headline earnings per share	50.0p	43.4p	+15.2%

Note

operating cash flow* is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.

cash conversion* is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases as % of profit from operations before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions.

net debt* comprises bank overdrafts and loans less cash and cash equivalents.

finance charges* exclude fair value movements on derivatives and the 2009 loss on closing out foreign currency hedging contracts.

organic revenue growth* is the annual rate of increase in revenue that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year.

opening firm order cover (%)* represents the firm orders due for delivery in the next twelve months trading as a percentage of analysts' consensus revenue forecast for the same period

* see note on page 2

Revenue in the period was 8% higher at £350.9m (2009: £325.5m). Of the increase, acquisitions contributed 2% and, with a negligible exchange rate effect, organic growth at constant currencies was a robust 5%.

In the period Ultra maintained its investment in the development of new business and products above 5% of revenue at £18.0m (2009: £18.9m).

Headline operating profit increased 16% to £51.4m (2009: £44.3m). Organic growth at constant currencies was 9.8% and acquisitions contributed 4.6%. The headline operating margin increased to 14.6% (2009: 13.6%).

Headline profit before tax increased by 18% to £47.6m (2009: £40.2m), after net financing charges* of £3.8m, broadly unchanged from £4.1m in 2009.

The Group's headline tax rate in the period was 28.0% (2009: 26.5%). This increase was mainly caused by the higher proportion of Group profits that are generated in North America where the marginal rate of taxation is higher. As a consequence of the higher tax rate in the period, the increase in headline earnings per share was 15% at 50.0p (2009: 43.4p).

Reported profit before tax was £35.7m (2009: £62.9m). Ultra's IFRS profit before tax reflected the combined effects of the elements detailed below:

All £m	2010	2009
Headline profit before tax	47.6	40.2
Amortisation of intangibles arising on acquisition	(10.4)	(14.7)
Loss on closing out foreign currency hedging contracts	-	(15.9)
(Loss)/profit on fair value movements on derivatives	(1.5)	48.3
Profit on disposal of property, plant and equipment, net of property-related provisions	-	5.0
Reported profit before tax	35.7	62.9

Operating cash conversion* was 78%, reflecting the Group's customary focus on cash management. This follows the strong performance in the second half of 2009 and, as usual, is measured after capital expenditure and the capitalisation of certain development costs. In cash terms, Ultra made an investment in the period of £17.7m (2009: £18.6m) on the development of new products and business, of which £0.2m was capitalised (2009: £0.2m) as an intangible asset.

The Group's balance sheet remains strong, with net interest payable on borrowings covered around 22 times by headline operating profit. Net debt* at the end of the period reduced to £17.4m compared to £28.7m at the end of 2009. This decrease of £11.3m was after a net cash expenditure on acquisitions in the period of £3.7m (2009: £10.1m) including the payment of deferred consideration in respect of acquisitions made in prior years. The movement of sterling against US and Canadian dollars at the period end increased net debt by £2.8m.

The proposed interim dividend is 10.6p, an increase of 10%, which will be paid on 24 September to shareholders on the register on 20 August 2010.

* see note on page 2

The order book at the end of the period was £832.1m, an increase of 8% over the value at the same time last year and an increase of 4% at constant currencies. Within this total, firm order cover for the next twelve months trading has been maintained at its customary level of above 60%. A contract to supply advanced sonar systems for the Royal Netherlands Navy was announced after the end of the period.

INVESTING FOR GROWTH

Ultra continued to invest to support its strategy to deliver long-term growth. Investments in the period were in new products and services, in new business development as well as in acquisitions.

In 2010 the Group has continued to invest in the Boeing 787, F-35 Joint Strike Fighter, Airbus A400M and Gulfstream G650 aircraft programmes which will all contribute to growth in the medium and long term. The Group also invested in developing the next generation of battlespace communications equipment. Ultra's internal investment in the period in new product and business development to drive future growth totalled £18.0m, similar to the same period of 2009 (£18.9m).

Since the end of the period Ultra has made two bolt-in acquisitions; Extec and Transmag, both in the UK and each for around £3m.

Transmag Power Transformers Ltd. ('Transmag') supplies large, specialist electrical transformers for various applications in the rail, mining and renewable energy markets. Transmag augments the transit power system offering of Ultra's PMES business in the Group's Information & Power Systems division. It is based in Birmingham and will operate as part of PMES.

Extec Integrated Systems Ltd. ('Extec') based in Portchester, near Fareham, Hants, designs and manufactures thick-film hybrid electronic microcircuits. This specialist method of packaging electronic circuits has some inherent advantages when used in high reliability space, defence, aerospace and civil applications such as Ultra's new electronic control systems for nuclear reactors. Extec will operate as part of the Group's Manufacturing & Card Systems business in the Aircraft & Vehicle Systems division.

The initial cash consideration for these acquisitions was financed using Ultra's existing facilities.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems was £76.5m compared to £83.7m in 2009 and headline operating profit reduced by 17% to £9.1m (2009: £10.9m). The division's order book reduced by 4% in the period to £204.8m (2009: £213.3m) reflecting delayed contract awards for FRES and Warrior equipment together with the trading of multi-year Eurofighter aircraft equipment contracts.

* see note on page 2

The division continues to focus on investing in new programmes, principally ice protection systems for the Boeing 787 and F-35 Joint Strike Fighter; the production phases of these programmes will drive growth in the medium and long term. The system development phase of these programmes which, in 2009, received partial customer funding, has been completed and superseded by Ultra-funded system qualification. This phase is nearing completion but adversely affected revenue and headline operating profit in the period.

Elsewhere, there was solid demand across the division's businesses for equipment and systems fitted to production aircraft, both military and civil, and to armoured vehicles together with increased demand for performance consultancy and training in the UAE.

Highlights of activities in the period that underpin continuing growth included:

- confirmation, post-election, that development will proceed of the FRES Scout Variant armoured vehicle for the British Army
- selection to provide additional electronic control systems for Mitsubishi's new regional jet aircraft
- initial sales for trials purposes of Ultra new AS/S system for detecting cracks in the airframes of ageing metal aircraft; the trials will be on P-3 aircraft

Information & Power Systems

Revenue in Information & Power Systems grew by 18% to £119.5m compared to £101.0m in 2009. Headline operating profit increased by 29% to £14.8m (2009: £11.5m) as operating margin recovered to 12.4% (2009: 11.4%). There were small contributions from Tisys and Scytale, both acquired in 2009. Growth in the order book at the end of the period was restricted to 2% at £208.5m (2009: £204.7m) reflecting delays in contract placement, principally the production phase of nuclear reactor controls for UK submarines.

Revenue and profit growth reflected strong demand for Ultra's specialist intelligence and surveillance systems, including those for air defence and for systems to protect the British Army's deployed operating bases. In the transport sector, good demand for IT systems at various airports around the world was matched by that for specialist power equipment for mass transit systems and naval ships.

Features of the division's performance in the period that support continuing growth included:

- selection of Ultra's ADSI™ real-time command and control system for a new 'anti rocket and mortar' application
- the award of multi-year contracts to supply specialist, civil, nuclear-qualified sensors for use in China
- receipt of contracts for additional trackside electrical power equipment for UK rail and underground systems

* see note on page 2

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 10% to £154.9m (2009: £140.8m) and headline operating profit rose 26% to £27.5m (2009: £21.9m). These results include small contributions from Xerion and Avalon, acquired in 2009. The closing order book was £418.8m (2009: £349.4m), an increase of 20% in the period reflecting strong order intake for battlespace IT systems and equipment.

Deliveries of Ultra's advanced anti-submarine warfare systems and equipment to domestic and international customers made a good contribution to growth in the period. There was also strong international battlespace IT demand, especially for tactical radio and data link systems.

Growth in the future is underpinned as a result of the following developments in the period:

- continuing strong US and international demand for the Group's enhanced line-of-sight tactical radios with US demand being covered by an IDIQ contract worth up to \$650m
- the award of a development and production contract worth £76m for new UK cryptographic equipment and a further contract to supply high grade cryptos in the US
- selection in July to provide new sonar systems for the Royal Netherlands Navy

MARKET CONDITIONS

Overall, budgets addressable by Ultra around the world will remain sufficiently large to give the Group considerable headroom for further growth.

Defence and security

The level of international tension is not reducing, driven by the actions of potentially rogue states and terrorist groups. This underpins continuing expenditure worldwide on defence and security. In Ultra's main markets, the relevance of major defence projects is being reviewed against these evolved defence priorities, as outlined in the Quadrennial Defense Review ('QDR') in the US and the continuing UK Strategic Defence and Security Review. These highlight the significant competing pressures for funds that have caused recent contract delays.

In the US the President's budget requests for the near to medium term are for the core defence budget to grow at about 3% per annum with substantial additional funds for continuing operations in Afghanistan and Iraq. The focus of expenditure is on improving information superiority, command and control, unmanned sensors and systems, communications and cyber-warfare. These are all areas where Ultra has strong market positions.

In the UK defence budgets will be reduced, though, for Ultra, UK defence represents only about 12% of Group revenue. As a consequence of the squeeze, fewer new platforms will be built so the military capability of existing platforms will have to be upgraded. This typically drives demand for advanced electronic solutions.

* see note on page 2

All modern armed forces rely on many forms of sophisticated electronic systems to achieve smart capability for precision targeting, information superiority as well as interoperability between coalition forces. As a result, an increasing proportion of defence and security budgets is being spent on electronics.

Elsewhere, in areas where Ultra has recently achieved market presence, such as Australia, Turkey and the Middle East, defence spending continues to rise in real terms.

The broader security and intelligence markets for Ultra continue to grow, driven by an undiminished level of terrorist activity globally. Covert surveillance and legal intercept of electronic communications continue to be effective ways of identifying and negating the threat.

The Group's broad portfolio of specialist capabilities that contribute to smart electronic solutions positions it well to secure further work in the medium term to satisfy future operational requirements. The Group's independence allows it to work with all the major prime contractors on new platforms as well as upgrade programmes.

Transport

In the transport sector, population growth drives demand for civil aircraft, infrastructure investment in airports and in mass passenger transit systems - all areas where Ultra has a strong capability. Increases have been announced in production rates at both Boeing and Airbus reflecting their long order books. Sales of equipment for the Boeing 787, when it enters airline service, will be additive to the Group's performance.

The long-term, worldwide increase in air travel drives investment in infrastructure including airport IT systems. The Group continues to win new business around the world, reflecting the global nature of this market sector. Ground transport systems also require continuing investment in regions of high population density, a trend from which Ultra benefits.

Energy

Around the world the strategic need to have secure access to an increasing amount of energy from independent sources is driving a higher level of investment in civil nuclear power generation. This investment is in extending the life of existing plant as well as building new reactors. Ultra has niche capabilities in the supply of high integrity control systems and the associated specialist sensors and is therefore well placed to benefit as market opportunities develop globally.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the year and which could cause actual results to differ materially from expected and historical costs. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Group's annual report for 2009. An explanation of the risks detailed below, and the robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties, can be found on pages 23 to 27 of the annual report which is available for download at www.ultra-electronics.com/investors.

* see note on page 2

About three-quarters of Ultra's revenue are from the defence sector and there will be pressure on defence budgets. Current projections are, however, that baseline budgets, excluding supplemental funds for continuing operations, will continue to grow in the US. In the UK, however, it is anticipated that defence budgets will reduce. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's continuing growth.

There is a risk of programme delays or cancellations but this has always been a feature of the Group's markets. Additionally, no single programme represents more than 5% of Ultra's revenue in any year. The cancellation or curtailment of any single programme is therefore unlikely to have a material impact on the Group.

Movements in foreign currency exchange rates result in both transaction and translation effects on the Group's results. Ultra's projected net transaction exposure is mitigated by the use of forward hedging contracts. The current expectation is that there will be a favourable impact on profit in 2011 as the effective hedge rate for US dollars moves from \$1.93:£1.00 in 2010 to \$1.55:£1.00 in 2011. By their nature, currency translation risks cannot be mitigated.

CONFIRMATION OF GOING CONCERN

The Directors have considered the guidance issued by the Financial Reporting Council in October 2009 and hereby confirm that the Group continues to adopt the 'going concern' basis in preparing its accounts.

The Board has made appropriate enquiries to support this view, looking forward for a period of at least twelve months. Salient points taken into consideration were:

- the Group's track record of delivering high quality profits growth
- the adequacy of Ultra's banking facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- that the Group has maintained firm order cover for analysts' consensus revenue forecast for the next twelve months at over 60%

REPORTING CHANGES FOR 2010

When the Group announces its 2010 preliminary results on 28 February 2011, the following adjustments will be reflected:

- 1) The Group's Manufacturing & Card Systems business will be moved from the Information & Power Systems division to Aircraft & Vehicle Systems where the internal synergies are greater.
- 2) The results of the Dascam business in Aircraft & Vehicle Systems will be reported as an 'associated undertaking' with effect from 1 August. In order to enhance its market position within the UAE, Dascam will become part of Al-Shaheen, an enlarged joint-venture with Emirati Advanced Investments with a focus on training and performance development. Ultra will own 49% of this enlarged joint venture.

PROSPECTS

Ultra has a broad portfolio of differentiated offerings specified on an increasing list of international platforms and programmes. This spreads risk and gives resilience to the Group's overall performance. These long-term programme positions have a flywheel effect, providing a solid base that underpins the Group's continuing growth.

Within Ultra's overall order book, valued at £832m, firm order coverage for the next twelve months' trading for the Group has been maintained at its traditional level of over 60%, thereby giving good visibility of future earnings.

Ultra will continue its programme of investment to drive further organic and acquisition growth. Internally, the Group is investing in innovative, differentiated products and services that can be positioned on long-term programmes. This market-led innovation and the Group's agility of response to customer requirements provide the competitive edge that allows Ultra to succeed in its markets. Ultra's strong balance sheet can support the purchase of businesses that would further enhance the Group's portfolio and to which ownership by Ultra would add value.

Ultra has focused on high growth sectors within its markets, specialising in electronics which is attracting an increasing proportion of customer budgets even in periods of market uncertainty. The Group has an extensive portfolio of offerings positioned on long-term new build and upgrade programmes. Ultra has a broad customer base and accesses a wide range of markets, with international sales now representing three quarters of Group revenue. These factors provide Ultra with a resilient business model that underpins future order intake and gives the Board confidence in Ultra's progress in 2010 and beyond.

- Ends -

Enquiries:

Ultra Electronics Holdings plc

Douglas Caster, Chief Executive
Rakesh Sharma, Chief Operating Officer
Paul Dean, Group Finance Director

020 8813 4321
www.ultra-electronics.com

Media enquiries:

Susan Ellis, Senior Communications Adviser
James White, Hogarth

07836 522722
020 7357 9477

Further information about Ultra

Ultra Electronics is an internationally successful defence, security, transport and energy company with a long, consistent track record of development and growth. Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. The Group has over one hundred and thirty distinct market or technology niches within its twenty four businesses. The diversity of niches enables Ultra to contribute to a large number of defence, aerospace and civil platforms and programmes and provides resilience to the Group's financial performance.

Ultra has world-leading positions in many of its niches and, as an independent, non-threatening partner, is able to support all of the main prime contractors with specialist capabilities and solutions. As a result of such positioning, Ultra's systems, equipment or services are often mission-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long term which underpin the superior financial performance of the Group.

Ultra offers support to its customers through the design, delivery and support phases of a programme. Ultra businesses have a high degree of operational autonomy where the local management teams are empowered to devise and implement competitive strategies that reflect their expertise in their specific niches. The Group has a small head office and executive team that provide to the individual businesses the same agile, responsive support that they provide to customers as well as formulating Ultra's overarching, corporate strategy.

Across the Group's three divisions, the major market sectors in which Ultra operates are:

- **battlespace IT**, summarised as being the systems and equipment that allows coalition commanders to have an integrated, real-time picture of the disposition of friendly and enemy forces that is better than the one available to the enemy. This information superiority underpins rapid decision making which, together with effective command, control and communications, translates into military superiority. The use of battlespace IT is fundamental to the implementation of the military doctrines of 'network-centric warfare' or 'network-enabled capability' that are seen as transformational in the capability to win future battles. Expenditure on battlespace IT equipment therefore continues to represent an increasing share of the total defence budget in the main markets in which Ultra operates.
- **sonar systems**, expanding Ultra's traditional world-leading airborne anti-submarine warfare capability into broader activities in the underwater battlespace. These include integrated ship and submarine sonar systems, persistent seabed-deployed sensor arrays, torpedo defence and sea mine disposal systems. The fact that over forty countries have, between them, more than four hundred highly capable, stealthy submarines is continuing to focus expenditure in this sector.
- **civil and military aircraft equipment**, Ultra provides specialist sub-systems and equipment for military and civil aircraft. The main military aircraft programmes on which Ultra equipment is fitted continue to have political support, underpinned by consistent financial commitment. For civil aircraft, record order intake performance by all major aircraft manufacturers underpins increasing build rates for the medium term.
- **specialist defence equipment and consultancy**, including power conversion and signature systems for naval ships and submarines. Ultra's specialist capability in high integrity controls for submarine nuclear reactors is included in this sector, for which there is continuing commitment to new platforms and the upgrade of existing boats. Ultra also supplies advanced sub-systems for modern armoured vehicles including those for electrical power management, indirect vision and weapon control. The need for increased mobility and force protection is driving a number of large military vehicle procurements in Ultra's main markets. Ultra provides training solutions and performance consultancy.
- **specialist civil systems and equipment**, including Ultra's advanced airport IT solutions. Airline passenger growth around the world is driving continuing expansion and upgrade of airport infrastructure. Ultra supplies trackside power equipment for rail transit systems, for which demand continues driven by the need to expand and upgrade rail networks. The UK market for nuclear power generation is expanding and Ultra's offering derived from its equivalent military capability is well positioned to benefit.

* see note on page 2

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 2 July 2010

	Note	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Continuing operations				
Revenue	3	350,946	325,486	651,036
Cost of sales		(256,327)	(237,380)	(462,524)
Gross profit		94,619	88,106	188,512
Other operating income		1,131	5,264	5,112
Distribution costs		(406)	(391)	(1,038)
Administrative expenses		(53,745)	(49,589)	(109,527)
Other operating expenses		(577)	(8,818)	(7,023)
Profit from operations	3	41,022	34,572	76,036
Headline operating profit	4	51,388	44,298	97,330
Amortisation of intangibles arising on acquisition		(10,366)	(14,730)	(26,303)
Profit on disposal of property, plant and equipment net of property-related provisions		-	5,004	5,009
Profit from operations		41,022	34,572	76,036
Investment revenue	5	361	48,637	56,212
Finance costs	6	(5,694)	(20,265)	(24,350)
Profit before tax		35,689	62,944	107,898
Headline profit before tax	4	47,600	40,204	89,486
Amortisation of intangibles arising on acquisition		(10,366)	(14,730)	(26,303)
(Loss)/profit on fair value movements on derivatives		(1,545)	48,390	55,630
Profit on disposal of property, plant and equipment net of property-related provisions		-	5,004	5,009
Loss on closing out foreign currency hedging contracts		-	(15,924)	(15,924)
Profit before tax		35,689	62,944	107,898
Tax	7	(9,672)	(16,817)	(29,418)
Profit for the period from continuing operations attributable to equity holders of the parent		26,017	46,127	78,480
Earnings per ordinary share (pence)				
From continuing operations				
Basic	9	38.0	67.7	115.1
Diluted	9	37.8	67.5	114.8

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 2 July 2010

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Profit for the period	26,017	46,127	78,480
Exchange differences on translation of foreign operations	10,198	(22,791)	(18,810)
(Loss)/gain on net investment hedges	(3,388)	9,192	7,128
Actuarial losses on defined benefit pension schemes	-	-	(16,706)
(Loss)/gain on cash flow hedges	(645)	537	(116)
Transfer from profit and loss on cash flow hedges	960	755	1,759
Tax relating to components of other comprehensive income	-	-	2,728
Other comprehensive income for the period	7,125	(12,307)	(24,017)
Total comprehensive income for the period	33,142	33,820	54,463

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 2 July 2010

	At 2 July 2010 £'000	At 30 June 2009 £'000	At 31 December 2009 £'000
Note			
Non-current assets			
Intangible assets	301,602	296,230	301,848
Property, plant and equipment	10 37,895	32,501	36,644
Interest in associate	1,177	1,988	1,107
Deferred tax assets	21,462	23,198	18,159
Derivative financial instruments	1,943	5,469	4,908
	<u>364,079</u>	<u>359,386</u>	<u>362,666</u>
Current assets			
Inventories	45,327	46,835	50,612
Trade and other receivables	11 151,731	132,009	122,442
Cash and cash equivalents	59,323	52,449	41,809
Derivative financial instruments	1,727	801	994
	<u>258,108</u>	<u>232,094</u>	<u>215,857</u>
Total assets	3 <u>622,187</u>	<u>591,480</u>	<u>578,523</u>
Current liabilities			
Trade and other payables	12 (171,621)	(159,470)	(169,553)
Tax liabilities	(17,058)	(8,946)	(9,020)
Derivative financial instruments	(7,839)	(11,532)	(9,164)
Obligations under finance leases	-	(13)	(5)
Bank loans	-	-	(70,489)
Short-term provisions	13 (14,428)	(9,741)	(15,591)
	<u>(210,946)</u>	<u>(189,702)</u>	<u>(273,822)</u>
Non-current liabilities			
Retirement benefit obligations	(79,013)	(59,934)	(77,497)
Other payables	12 (20,208)	(17,513)	(18,023)
Deferred tax liabilities	(14,181)	(15,345)	(14,721)
Derivative financial instruments	(4,394)	(9,667)	(4,071)
Obligations under finance leases	-	(4)	-
Bank loans	(76,709)	(120,534)	-
Long-term provisions	13 (12,711)	(12,039)	(6,923)
	<u>(207,216)</u>	<u>(235,036)</u>	<u>(121,235)</u>
Total liabilities	3 <u>(418,162)</u>	<u>(424,738)</u>	<u>(395,057)</u>
Net assets	<u>204,025</u>	<u>166,742</u>	<u>183,466</u>
Equity			
Share capital	14 3,427	3,408	3,420
Share premium account	39,587	36,640	38,313
Own shares	(1,085)	(1,450)	(1,450)
Hedging and translation reserve	16,262	9,016	9,452
Retained earnings	145,834	119,128	133,731
Total equity attributable to equity holders of the parent	<u>204,025</u>	<u>166,742</u>	<u>183,466</u>

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 2 July 2010

	Note	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Net cash inflow from operating activities	15	33,792	29,332	102,056
Investing activities				
Interest received		361	247	582
Purchase of property, plant and equipment		(4,745)	(4,865)	(10,042)
Proceeds from disposal of property, plant and equipment		2,846	3,242	3,062
Expenditure on product development and other intangibles		(770)	(1,100)	(2,352)
Acquisition of subsidiary undertakings		(3,661)	(10,902)	(31,601)
Net cash acquired with subsidiary undertakings		-	843	843
Net cash used in investing activities		(5,969)	(12,535)	(39,508)
Financing activities				
Issue of share capital		1,281	214	1,899
Dividends paid		(14,755)	(12,226)	(18,749)
Increase/(decrease) in borrowings		4,000	22,389	(29,051)
Loan syndication costs		(1,388)	-	-
Repayment of obligations under finance leases		(5)	(93)	(104)
Loss on closing out foreign currency hedging contracts		-	(15,924)	(15,924)
Net cash used in financing activities		(10,867)	(5,640)	(61,929)
Net increase in cash and cash equivalents		16,956	11,157	619
Cash and cash equivalents at beginning of period		41,809	43,385	43,385
Effect of foreign exchange rate changes		558	(2,093)	(2,195)
Cash and cash equivalents at end of period		59,323	52,449	41,809

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 2 July 2010

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging and translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	3,420	38,313	(1,450)	9,452	133,731	183,466
Profit for the period	-	-	-	-	26,017	26,017
Other comprehensive income for the period	-	-	-	6,810	315	7,125
Total comprehensive income for the period	-	-	-	6,810	26,332	33,142
Disposal of own shares	-	-	365	-	(365)	-
Equity settled employee share schemes	7	1,274	-	-	891	2,172
Dividend to shareholders	-	-	-	-	(14,755)	(14,755)
Balance at 2 July 2010	3,427	39,587	(1,085)	16,262	145,834	204,025

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the half-year ended 2 July 2010

	Equity attributable to equity holders of the parent					
	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging and translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2009	3,407	36,427	(1,974)	22,615	83,594	144,069
Profit for the period	-	-	-	-	46,127	46,127
Other comprehensive income for the period	-	-	-	(13,599)	1,292	(12,307)
Total comprehensive income for the period	-	-	-	(13,599)	47,419	33,820
Disposal of own shares	-	-	524	-	(524)	-
Equity settled employee share schemes	1	213	-	-	865	1,079
Dividend to shareholders	-	-	-	-	(12,226)	(12,226)
Balance at 30 June 2009	3,408	36,640	(1,450)	9,016	119,128	166,742

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the half-year ended 2 July 2010

	Equity attributable to equity holders of the parent					
	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging and translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2009	3,407	36,427	(1,974)	22,615	83,594	144,069
Profit for the year	-	-	-	-	78,480	78,480
Other comprehensive income for the year	-	-	-	(13,163)	(10,854)	(24,017)
Total comprehensive income for the year	-	-	-	(13,163)	67,626	54,463
Disposal of own shares	-	-	524	-	(524)	-
Equity settled employee share schemes	13	1,886	-	-	1,490	3,389
Dividend to shareholders	-	-	-	-	(18,749)	(18,749)
Deferred tax on share-based payment transactions	-	-	-	-	294	294
Balance at 31 December 2009	3,420	38,313	(1,450)	9,452	133,731	183,466

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

1. General information

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These interim Financial Statements, which were approved by the Board of Directors on 30 July 2010, have not been audited or reviewed by the Auditors.

2. Accounting policies

The annual financial statements of Ultra Electronics Holdings plc are prepared in accordance with International Financial Reporting Standards (IFRS). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting.'

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except as described below.

IFRS 3 (revised) "Business Combinations". The standard continues to apply the acquisition method to business combinations, with some significant changes. For example IFRS 3 (revised) amends the treatment of acquisition costs incurred in respect of business combinations. These costs were previously capitalised within intangible assets. As from 1 January 2010 the Group expenses all acquisition related transaction costs. Whilst this is an accounting policy change for the Group, it is not expected to have a material impact on the information presented in the Group's financial statements.

In addition, IFRS 3 (revised) requires that changes to the fair value of contingent consideration arising from events after the acquisition date, for acquisitions made on or after 1 January 2010, are no longer to be treated as measurement period adjustments. Instead they are recognised in the income statement. This accounting policy change has not had a material impact in the period to 2 July 2010. However, the amount of contingent consideration paid could differ significantly from the amount originally estimated and therefore this change in accounting policy could have a significant impact on the Group's results going forward.

3. Segment information

	Six months to 2 July 2010			Six months to 30 June 2009		
	External revenue £'000	Internal revenue £'000	Total £'000	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aircraft & Vehicle Systems	76,494	266	76,760	83,698	703	84,401
Information & Power Systems	119,545	3,819	123,364	101,014	1,606	102,620
Tactical & Sonar Systems	154,907	9,782	164,689	140,774	5,898	146,672
Eliminations	-	(13,867)	(13,867)	-	(8,207)	(8,207)
Consolidated revenue	350,946	-	350,946	325,486	-	325,486

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

3. Segment information (continued)

	Six months to 2 July 2010			
	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Headline operating profit	9,077	14,772	27,539	51,388
Amortisation of intangibles arising on acquisition	(1,330)	(4,506)	(4,530)	(10,366)
Profit from operations	7,747	10,266	23,009	41,022
Investment revenue				361
Finance costs				(5,694)
Profit before tax				35,689
Tax				(9,672)
Profit after tax				26,017

	Six months to 30 June 2009			
	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Headline operating profit	10,869	11,511	21,918	44,298
Amortisation of intangibles arising on acquisition	(2,649)	(6,161)	(5,920)	(14,730)
Profit on disposal of property, plant & equipment net of property related provisions	(1,380)	7,484	(1,100)	5,004
Profit from operations	6,840	12,834	14,898	34,572
Investment revenue				48,637
Finance costs				(20,265)
Profit before tax				62,944
Tax				(16,817)
Profit after tax				46,127

	Year to 31 December 2009			
	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Headline operating profit	20,940	25,325	51,065	97,330
Amortisation of intangibles arising on acquisition	(4,715)	(10,828)	(10,760)	(26,303)
Profit on disposal of property, plant & equipment net of property related provisions	(1,380)	7,489	(1,100)	5,009
Profit from operations	14,845	21,986	39,205	76,036
Investment revenue				56,212
Finance costs				(24,350)
Profit before tax				107,898
Tax				(29,418)
Profit after tax				78,480

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

3. Segment information (continued)

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Total assets by segment			
Aircraft & Vehicle Systems	130,364	115,999	104,141
Information & Power Systems	162,603	193,313	202,592
Tactical & Sonar Systems	244,765	200,251	205,920
	<u>537,732</u>	<u>509,563</u>	<u>512,653</u>
Unallocated	84,455	81,917	65,870
Total assets	<u>622,187</u>	<u>591,480</u>	<u>578,523</u>

Unallocated assets represent deferred tax assets, derivatives at fair value and cash and cash equivalents.

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Total liabilities by segment			
Aircraft & Vehicle Systems	50,773	46,585	52,421
Information & Power Systems	66,773	65,095	67,601
Tactical & Sonar Systems	101,422	87,100	90,073
	<u>218,968</u>	<u>198,780</u>	<u>210,095</u>
Unallocated	199,194	225,958	184,962
Total liabilities	<u>418,162</u>	<u>424,738</u>	<u>395,057</u>

Unallocated liabilities represent derivatives at fair value, tax payables, deferred tax liabilities, retirement benefit obligations and bank loans.

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Revenue by geographical destination			
United Kingdom	86,306	85,907	173,042
Continental Europe	30,653	29,355	59,453
Canada	9,383	6,402	13,415
USA	177,502	173,412	336,236
Rest of World	47,102	30,410	68,890
	<u>350,946</u>	<u>325,486</u>	<u>651,036</u>

During the period to 2 July 2010 there was 1 direct customer (2009:1) that individually accounted for greater than 10% of the Group's turnover. Sales to this customer during the period to 2 July 2010 were £106m (2009: £92m).

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

4. Additional performance measures

To present the headline profitability of the Group on a consistent basis year-on-year, additional performance indicators have been used. These are calculated as follows:

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Profit from operations	41,022	34,572	76,036
Amortisation of intangibles arising on acquisition	10,366	14,730	26,303
Profit on disposal of property, plant and equipment net of property-related provisions	-	(5,004)	(5,009)
Headline operating profit	51,388	44,298	97,330
Profit before tax	35,689	62,944	107,898
Loss/(profit) on fair value movements on derivatives	1,545	(48,390)	(55,630)
Loss on closing out foreign currency hedging contracts	-	15,924	15,924
Amortisation of intangibles arising on acquisition	10,366	14,730	26,303
Profit on disposal of property, plant and equipment net of property-related provisions	-	(5,004)	(5,009)
Headline profit before tax	47,600	40,204	89,486
Cash generated by operations (see note 14)	42,980	36,042	120,944
Purchase of property, plant and equipment	(4,745)	(4,865)	(10,042)
Proceeds on disposal of property, plant and equipment	2,846	3,242	3,062
Expenditure on product development and other intangibles	(770)	(1,100)	(2,352)
Operating cash flow	40,311	33,319	111,612

Headline operating profit has been shown before the amortisation of intangible assets arising on acquisitions, which relates to acquired intellectual property, customer relationships and profit in acquired order book. To maintain a consistent presentation of financial performance over the longer term, this charge has been excluded from headline operating profit. In addition during 2009, headline operating profit was stated before the profit on the disposal of property, plant and equipment net of property-related provisions, which included the net profit recognised on the disposal of the Armitage Road, Rugeley property and was after deducting a dilapidations provision relating to a number of properties. Headline profit before tax and headline earnings per share (see note 9) were also presented before these adjustments.

IAS 39 requires the Group to 'fair value' the derivative instruments used to manage Ultra's foreign exchange exposures. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This will have minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates. During 2009, the Group reviewed its level of hedging cover for the following years and reduced it to match the expected net inflow of US dollars. In doing so, during the six months ended 30 June 2009, the Group incurred one-off costs of £15.9m associated with closing out the hedging contracts. These costs do not affect the underlying operating performance of the Group. Headline profit before tax and headline earnings per share (see note 9) are stated before changes in the valuation of foreign currency derivative instruments and the costs associated with the reduction in the level of hedging cover so that the headline operating performance of the Group can be seen more clearly.

The Group is cash generative and reinvests funds to support the continuing growth of the business. It seeks to use an accurate and appropriate measure of the funds generated internally while sustaining this growth. For this, Ultra uses operating cash flow, rather than cash generated by operations, as its preferred indicator of cash generated and available to cover non-operating expenses such as tax and interest payments. The Group believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an understatement of the true cash cost of sustaining a growing business.

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

5. Investment revenue

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Interest income	361	247	582
Fair value movement on derivatives	-	48,390	55,630
	<u>361</u>	<u>48,637</u>	<u>56,212</u>

6. Finance costs

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Amortisation of finance costs of debt	220	126	310
Interest payable on bank loans and overdrafts	1,518	2,011	3,463
Interest payable on finance leases	-	2	1
Transfers to equity on cash flow hedges	960	755	1,759
Total borrowing costs	<u>2,698</u>	<u>2,894</u>	<u>5,533</u>
Retirement benefit scheme finance cost	1,451	1,447	2,893
Fair value movement on derivatives	1,545	-	-
Loss on closing out foreign currency hedging contracts	-	15,924	15,924
	<u>5,694</u>	<u>20,265</u>	<u>24,350</u>

7. Tax

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Current tax			
United Kingdom	4,933	13,866	2,840
Overseas	9,086	4,808	14,089
	<u>14,019</u>	<u>18,674</u>	<u>16,929</u>
Deferred tax			
United Kingdom	(1,934)	(5,284)	10,621
Overseas	(2,413)	3,427	1,868
	<u>(4,347)</u>	<u>(1,857)</u>	<u>12,489</u>
Total tax charge	<u>9,672</u>	<u>16,817</u>	<u>29,418</u>

8. Ordinary dividends

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000
Final dividend for the year ended 31 December 2009 of 21.6p (2008: 18.0p) per share	<u>14,755</u>	<u>12,226</u>
Proposed interim dividend for the year ended 31 December 2010 of 10.6p (2009: 9.6p) per share	<u>7,247</u>	<u>6,523</u>

The interim 2010 dividend of 10.6 pence per share will be paid on 24 September 2010 to shareholders on the register at 20 August 2010. It was approved by the Board after 2 July 2010 and has not been included as a liability at 2 July 2010.

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

9. Earnings per share

	Six months to 2 July 2010 pence	Six months to 30 June 2009 pence	Year to 31 December 2009 pence
From continuing operations			
Basic headline (see below)	50.0	43.4	96.4
Diluted headline (see below)	49.7	43.2	96.2
Basic	38.0	67.7	115.1
Diluted	37.8	67.5	114.8

The calculation of the basic, headline and diluted earnings per share is based on the following data:

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period from continuing operations	26,017	46,127	78,480
Headline earnings			
Profit for the period from continuing operations	26,017	46,127	78,480
Loss/(profit) on fair value movements on derivatives (net of tax)	1,097	(34,214)	(39,415)
Loss on closing out foreign currency hedging contracts (net of tax)	-	11,465	11,465
Profit on disposal of property, plant and equipment net of property-related provisions (net of tax)	-	(3,678)	(3,625)
Amortisation of intangibles arising on acquisition (net of tax)	7,153	9,850	18,854
Earnings for the purposes of headline earnings per share	34,267	29,550	65,759

The weighted average number of shares is given below:

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
Number of shares used for basic earnings per share	68,501,769	68,147,980	68,200,931
Number of shares deemed to be issued at nil consideration following exercise of share options	401,036	209,648	166,156
Number of shares used for fully diluted earnings per share	68,902,805	68,357,628	68,367,087
	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
Headline profit before tax	47,600	40,204	89,486
Tax rate applied for the purposes of headline earnings per share	28.0%	26.5%	26.5%

10. Property, plant and equipment

During the period, the Group spent £4.7m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period, although it did receive £2.8m of deferred consideration relating to the sale during 2009 of its Rugeley property.

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

11. Trade and other receivables

	At 2 July 2010 £'000	At 30 June 2009 £'000	At 31 December 2009 £'000
Trade receivables	89,273	76,875	75,710
Provisions against receivables	(948)	(1,344)	(1,112)
Net trade receivables	<u>88,325</u>	<u>75,531</u>	<u>74,598</u>
Amounts due from contract customers	37,854	39,746	26,594
Prepayments & other receivables	<u>25,552</u>	<u>16,732</u>	<u>21,250</u>
	<u><u>151,731</u></u>	<u><u>132,009</u></u>	<u><u>122,442</u></u>

12. Trade and other payables

	At 2 July 2010 £'000	At 30 June 2009 £'000	At 31 December 2009 £'000
Amounts included in current liabilities:			
Trade payables	61,664	53,601	54,877
Amounts due to contract customers	35,723	36,165	39,105
Other payables	<u>74,234</u>	<u>69,704</u>	<u>75,571</u>
	<u><u>171,621</u></u>	<u><u>159,470</u></u>	<u><u>169,553</u></u>
Amounts included in non current liabilities:			
Amounts due to contract customers	2,378	4,956	2,467
Other payables	<u>17,830</u>	<u>12,557</u>	<u>15,556</u>
	<u><u>20,208</u></u>	<u><u>17,513</u></u>	<u><u>18,023</u></u>

13. Provisions

	Warranty £'000	Contract related £'000	Total £'000
At 30 June 2009	7,902	13,878	21,780
At 31 December 2009	7,880	14,634	22,514
At 2 July 2010	<u>8,167</u>	<u>18,972</u>	<u>27,139</u>
Included in current liabilities	6,299	8,129	14,428
Included in non current liabilities	<u>1,868</u>	<u>10,843</u>	<u>12,711</u>
	<u><u>8,167</u></u>	<u><u>18,972</u></u>	<u><u>27,139</u></u>

14. Share capital

155,254 shares, with a nominal value of £7,763 have been allotted in the first six months of 2010 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £1,280,735.

Ultra Electronics Holdings plc
Notes to the Condensed Consolidated Interim Financial Statements
for the half-year ended 2 July 2010

15. Cash flow information

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Profit from operations	41,022	34,572	76,036
Depreciation of property, plant and equipment	4,076	4,404	7,722
Amortisation of intangible assets	11,553	16,106	28,574
Cost of equity settled employee share schemes	891	865	1,490
Increase/(decrease) in post employment benefit obligation	65	(274)	(863)
Profit on disposal of property, plant and equipment net of property-related provisions	-	(5,004)	(4,977)
Loss on revaluation of assets transferred to held for sale	-	67	35
Share of profit of associate	-	(134)	-
Disposal of asset held for sale	-	761	726
Increase/(decrease) in provisions	4,054	(94)	337
Operating cash flow before movements in working capital	61,661	51,269	109,080
Decrease in inventories	6,714	3,110	31
Increase in receivables	(29,308)	(16,305)	(2,481)
Increase/(decrease) in payables	3,913	(2,032)	14,314
Cash generated by operations	42,980	36,042	120,944
Income taxes paid	(6,780)	(3,873)	(13,529)
Interest paid	(2,408)	(2,837)	(5,359)
Net cash inflow from operating activities	33,792	29,332	102,056

Reconciliation of net movement in cash and cash equivalents to movement in net debt

	Six months to 2 July 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Net increase in cash and cash equivalents	16,956	11,157	619
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	(3,995)	(22,296)	29,155
Change in net debt arising from cash flows	12,961	(11,139)	29,774
Amortisation of finance costs of debt	(220)	(123)	(310)
Loan syndication costs	1,388	-	-
Translation differences	(2,830)	7,099	5,790
Movement in net debt in the period	11,299	(4,163)	35,254
Net debt at start of period	(28,685)	(63,939)	(63,939)
Net debt at end of period	(17,386)	(68,102)	(28,685)

Net debt comprised the following:

	At 2 July 2010 £'000	At 30 June 2009 £'000	At 31 December 2009 £'000
Cash and cash equivalents	59,323	52,449	41,809
Bank loans	(76,709)	(120,534)	(70,489)
Finance leases	-	(17)	(5)
	(17,386)	(68,102)	(28,685)

16. Going Concern

On 5 February 2010, the Group renewed its £120m banking facility which is provided by a small syndicate led by the Royal Bank of Scotland. This renewed facility provides revolving credit over a three and a half year period. As such, the Board's view is that Ultra has adequate resources to continue in operational existence for the foreseeable future and that the business outlook remains strong. Accordingly, the Group continues to adopt a going concern basis in preparing the accounts.

17. Post balance sheet events

a) Acquisitions

On 9 July 2010, the Group acquired the entire share capital of Extec Integrated Systems Limited, a Company based in Porchester, Hampshire, for a cash consideration of £2.9m.

On 26 July 2010, the Group acquired the entire share capital of Transmag Power Transformers Limited, a Company based in Birmingham, for a cash consideration of £3.0m.

b) Change in UK Corporation Tax rate

The UK government has announced its intention to reduce the rate of UK corporation tax from 28% to 24% over a four year period from 1 April 2011 to 1 April 2014. The first reduction, to 27% is due to take effect from 1 April 2011 with subsequent annual 1% reductions thereafter. In accordance with IAS 12 (Income Taxes), as this rate was not enacted or substantively enacted at 2 July 2010, the relevant deferred tax assets and liabilities at 2 July 2010 have been calculated at 28%.

The main estimated impact on the balance sheet of the reduction in rate to 27% will be to reduce the deferred tax asset in respect of retirement benefit obligations by approximately £0.8m at 31 December 2010. The reduction in rate is not anticipated to have a significant effect on the group's tax charge reported in the income statement for the year ended 31 December 2010. Subsequent tax rate reductions announced are not expected to be substantively enacted before 31 December 2010 and are therefore anticipated to be non-adjusting events arising after the reporting period as defined in IAS 10 (Events after the Reporting Period).

18. Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Related party transactions

There were no significant related party transactions, other than the remuneration of key management personnel during the period.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- (a) these condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
- (b) this half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
- (c) this half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Douglas Caster
Chief Executive
30 July 2010

Paul Dean
Group Finance Director